

Regulatory and Governmental Affairs

173278


March 23, 2005

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VIA HAND DELIVERY

The Honorable Charles L. A. Terreni
Chief Clerk and Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29211

RECEIVED
2005 MAR 23 PM 4:00
SC PUBLIC SERVICE
COMMISSION

RE: Docket No. 2005-15-C

Generic Proceeding Established Pursuant to Commission Order No. 2004-466 to Address the Appropriate Rate Classification or Rate Structure for Telephone Lines Located in Elevators and for Telephone Lines Located in Proximity to Swimming Pools

Dear Mr. Terreni:

Enclosed for filing on behalf of Verizon Communications, Inc., please find an original and twenty-five (25) copies of the Testimony of Mr. Orville D. Fulp in the above-referenced docket. By copy of this letter and Certificate of Service, the Parties of Record are being served with a copy of the Testimony.

If you have questions or concerns, please do not hesitate to contact me.

Respectfully submitted,



Stan Bugner
State Director

Enclosure

cc: Parties of Record

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BEFORE THE
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2005-015-C

RECEIVED
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SO PUBLIC SERVICE
COMMISSION

DIRECT TESTIMONY OF
ORVILLE D. FULP
ON BEHALF OF
VERIZON SOUTH INC.

RETURN DATE: OK D. Duke
SERVICE: OK D. Duke

MARCH 23, 2005

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, EMPLOYER, AND TITLE.

A. My name is Orville D. Fulp. My business address is 600 Hidden Ridge Drive, Irving, Texas 75038. I am employed by Verizon as Director-Regulatory.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.

A. I have a Bachelor of Arts degree in Economics from the University of California, San Diego, and a Master of Science degree in Economics from the University of Wyoming.

In 1981, I began working at the Illinois Commerce Commission in the Economics and Rates Department as Senior Economist, where I analyzed filings and testified in utility rate proceedings in the areas of pricing, cost of service, and demand analysis. In January of 1984, I transferred to the Policy Analysis and Research Division as Director of the Pricing Program. My responsibilities included developing policy concerning pricing in the telecommunications and energy fields.

1 In 1985, I joined Contel as Manager-Revenue Requirements/Pricing for
2 the Company's eastern region, and was responsible for rate case activity,
3 tariff maintenance, surveillance of regulatory activities, and pricing of local
4 exchange, toll and access services in six states.

5
6 In 1991, I became a Manager-Access Pricing for GTE Telephone
7 Operations, and was responsible for the development of access pricing
8 plans and rates for interstate and intrastate purposes in 40 states. Since
9 that time I have held various positions in GTE and Verizon involving
10 pricing and product management and operations. In December 2001, I
11 assumed my current position of Director – Regulatory. My current
12 responsibilities include national public policy and pricing matters.

13
14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE STATE REGULATORY**
15 **COMMISSIONS?**

16 A. Yes. I have testified on national public policy and pricing matters,
17 including several pricing related dockets over the last 15 years, on behalf
18 of various Verizon telephone companies before state commissions in
19 California, Florida, Illinois, North Carolina, South Carolina, Georgia,
20 Alabama, Maine, Vermont, New Hampshire, Pennsylvania, and
21 Washington.

1 **II. OVERVIEW OF TESTIMONY**

2

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 A. The purpose of my testimony is to demonstrate that it is appropriate for

5 Verizon to charge business rates for telephone lines in elevators and for

6 telephone lines in proximity to condominium swimming pools.

7

8 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

9 A. Business rates must apply to telephone lines in elevators and in proximity

10 to swimming pools for several important reasons. First, Verizon's tariffs

11 require it to charge business rates for these services. Second, business

12 rates come closer to covering the cost of providing these services than do

13 residential rates. Third, other states have ruled that business rates apply

14 to these services. Fourth, state regulations bolster the conclusion that

15 business rates should apply to these services.

16

17 **II.**

18 **BUSINESS RATES SHOULD APPLY TO TELEPHONE LINES**

19 **IN ELEVATORS AND IN PROXIMITY TO SWIMMING POOLS**

20

21 **Q. DO VERIZON'S TARIFFS REQUIRE IT TO CHARGE BUSINESS**

22 **RATES FOR TELEPHONE LINES IN ELEVATORS AND IN PROXIMITY**

23 **TO SWIMMING POOLS?**

1 A. Yes. Verizon's tariffs make clear that business rates apply in these
2 instances. Verizon tariff Section 2.3.4 provides that business rates apply
3 where the subscriber's use of the service is for business purposes.
4 Specifically, this section provides that "the determination as to whether
5 customer service should be classified as business or residence is based
6 on the character of use to be made of the service," and that "[b]usiness
7 rates apply whenever the use of the service is primarily or substantially of
8 a business, professional, institutional or otherwise occupational
9 nature . . ." Condominium associations – which are corporate business
10 entities – order elevator and swimming pool telephone lines to fulfill a
11 business purpose. The function of these services is to enhance the safety
12 and security of persons using the elevators, regardless of whether they
13 are residents, guests, trades people, or employees of the association.
14 The condominium association uses these services to fulfill its legal,
15 insurance and safety obligations, not to provide residents with an alternate
16 source of residential telephone service. Accordingly, it is appropriate for
17 Verizon to charge business rates for these services because the character
18 or use of these services is business from the subscriber's point of view.

19
20 **Q. DO THE COSTS OF PROVIDING TELEPHONES IN ELEVATORS AND**
21 **IN PROXIMITY TO SWIMMING POOLS WARRANT CHARGING**
22 **BUSINESS RATES FOR THESE SERVICES?**

1 A. Yes. Neither Verizon's basic business rate nor its basic residential rate
2 cover the costs of providing these services, but the business rate comes
3 closer to covering these costs than does the residential rate. In the
4 Universal Service Cost Models docket (Docket No. 97-239-C), this
5 Commission found Verizon's benchmark cost of providing basic business
6 and residential service to be \$51.10. While this benchmark cost was not
7 developed to set specific rates, it can be used to show the strong
8 likelihood that Verizon's basic residential rate of \$11.00 and basic
9 business rate of \$22.00 are below cost. It would be unfair to allow
10 condominium associations to pay a rate that recovers even less of the
11 costs of providing its services, and to shift a greater cost recovery burden
12 to the general body of ratepayers.

13
14 **Q. ARE YOU AWARE OF ANY DECISIONS FROM OTHER STATES**
15 **HOLDING THAT BUSINESS RATES APPLY TO TELEPHONES IN**
16 **ELEVATORS?**

17 A. Yes. Both the Florida Public Service Commission (FPSC) and the
18 California Public Utilities Commission (CPUC) have ruled that business
19 rates apply to elevator telephones. The FPSC reasoned that business
20 rates should apply because: (1) a condominium association is a business,
21 and (2) elevator telephones serve a business purpose:

22 We find that LECs should be allowed to continue
23 applying business rates to telephones located in
24 condominium elevators. While we believe that calls
25 made with these telephones will be made primarily by

1 condominium residents, condominium associations
2 use elevator phone service to fulfill legal obligations
3 and enhance the safety of condominium residents.
4 This includes meeting the requirement of installing a
5 communications device in an elevator. This is a
6 business activity and business rates should apply to a
7 switched telephone line. The condominium residents
8 can receive residential rates in their units but an
9 elevator is not a residential facility. We agree that an
10 elevator is not in itself a business location. However,
11 the one strong indication as to whether the location of
12 service is business or residential is the type of
13 customer making the request. Since the
14 condominium association is a business entity making
15 the request for phone service, a business rate is
16 appropriate.
17

18 *In Re: Investigation Into Proper Tariffing Of Telephone Service For*
19 *Elevators And Common Areas Within Residential Facilities*, FPSC Docket
20 No. 920837-TL, Order No. PSC-94-1180-FOF-TL, 1994 Fla. PUC LEXIS
21 1200 (1994). Similarly, the CPUC concluded that business rates should
22 apply to elevator telephones because these telephones are maintained for
23 business purposes:

24 [GTE's] tariffs contain a schedule devoted to
25 definitions, as well as the utility's Rule 22. Included
26 therein are definitions of "Business Service" and
27 "Residence Service." The former relates to the
28 furnishing of telephone service for domestic,
29 nonbusiness pursuits. The emergency telephone in
30 the condominium elevator cannot be used for
31 domestic pursuits; it can only be used to call the
32 alarm company. Rule 22 A.4 provides that business
33 rates apply in places of dwelling when the principal
34 use of the service is of a business, professional, or
35 occupational nature. Residential Service applies in
36 locations where the actual or obvious use of the
37 service is domestic. Elevator emergency telephone
38 service to an alarm company is a business usage,
39 and scheduled rates must be inflexibly enforced in

1 order to maintain equality between all without
2 preferential privileges of any sort.

3
4 *St. Gardens Owners Association, Complainant, General Telephone*
5 *Company, Defendant*, Case No. 90-12-020, Decision No. 91-04-056, 1991
6 Cal. PUC LEXIS 205 (1991). This Commission should reach the same
7 conclusion here, because, as discussed above, condominium associations
8 are businesses and they are ordering telephone lines in elevators and in
9 proximity to swimming pools to serve a business purpose.

10
11 **Q. DOES STATE LAW BOLSTER THE CONCLUSION THAT BUSINESS**
12 **RATES SHOULD APPLY TO TELEPHONE LINES IN ELEVATORS AND**
13 **IN PROXIMITY TO SWIMMING POOLS?**

14 A. Yes. State regulations make clear that condominium swimming pools,
15 such as those at issue, are not residential in nature, and that swimming
16 pool telephone lines are not required to be located near residential
17 swimming pools. Under state regulations, a "residential" swimming pool is
18 defined as a pool built in connection with a single family residence. This
19 definition specifically excludes "any type of cooperative housing or joint
20 tenancy of two or more families," such as a condominium. SC DHEC
21 Regulation 61-51.A.47. Moreover, the requirement to have a device for
22 notifying emergency personnel near a pool does not apply to residential
23 swimming pools; it applies only to public swimming pools. SC DHEC
24 Regulation 61-51.C.12. These regulations add substantial weight to

1 Verizon's position that business rates should apply to telephone lines
2 located near non-residential condominium swimming pools.

3
4 State law regarding elevators also bolsters Verizon's position. The South
5 Carolina Elevator Code, which authorizes the South Carolina Department
6 of Labor, Licensing and Regulation to promulgate regulations, does not
7 apply to residential elevators. S.C. Code Ann. Section 41-16-30.
8 Therefore, the regulations that require a means of two-way conversation
9 to be located in an elevator, see SC ASME A17.1, Section 211.1(a)(2),
10 only apply to non-residential elevators. Since condominium elevators are
11 governed by this requirement, and are non-residential in nature, it would
12 be inappropriate to apply the residential rate to telephones in these
13 elevators.

14
15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16 **A. Yes.**

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2005-15-C

IN RE:)	
Generic Proceeding Established Pursuant to)	
Commission Order No. 2004-466 to)	CERTIFICATE OF SERVICE
Address the Appropriate Rate Classification)	
or Rate Structure for Telephone Lines)	
Located in Elevators and for Telephone Lines)	
Located in Proximity to Swimming Pools)	

This is to certify that I, Amber L. Landsman, do hereby certify that I have this date served one (1) copy of the attached Testimony in the above referenced docket by placing a copy of same in the care and custody of the United States Postal Service, first class postage prepaid to the following Parties of Record:

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March 23, 2005
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